

Message Text

LIMITED OFFICIAL USE

PAGE 01 LAGOS 00864 210811Z
ACTION AF-10

INFO OCT-01 ARA-10 EUR-12 EA-10 NEA-10 ISO-00 SOE-02
AID-05 CEA-01 CIAE-00 COME-00 DODE-00 EB-08
DOE-11 H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05
OMB-01 PM-05 USIA-06 OES-07 SP-02 SS-15 STR-06
TRSE-00 ACDA-12 /155 W
-----098541 211352Z /15

R 210635Z JAN 78
FM AMEMBASSY LAGOS
TO SECSTATE WASHDC 6058
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
AMEMBASSY CARACAS
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LIBREVILLE

AMEMBASSY LONDON
AMEMBASSY QUITO
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA
USINT BAGHDAD
AMCONSUL DHAHRAN
AMCONSUL KADUNA

LIMITED OFFICIAL USE LAGOS 0864

E.O. 11652: N/A
TAGS: ENRG, NI
SUBJECT: NIGERIA EXPECTED TO LOWER CRUDE OIL POSTED PRICES

REF: 77 LAGOS 14959
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LAGOS 00864 210811Z

1. OIL COMPANY SOURCES EXPECT NIGERIAN NATIONAL PETROLEUM
COMPANY TO ANNOUNCE LOWER POSTED PRICES FOR NIGERIAN CRUDE OIL
WITHIN NEXT COUPLE OF DAYS. POSTED PRICES WILL BE REDUCES BY
AMOUNT NECESSARY TO PROVIDE COMPANIES WITH EIGHTY CENTS
PER BARREL PROFIT MARGIN ON THEIR EQUITY OIL. IN CASE OF GULF'S
36 API ESCRAVOS CRUDE, POSTED PRICE EXPECTED TO BE DROPPED FROM

DOLLARS 15.487 TO DOLLARS 15.148. DIRECT SALES PRICE FOR ESCRAVOS WAS REDUCED JANUARY 1 FROM DOLLARS 14.58 TO DOLLARS 14.28 (NOT INCLUDING TWO CENTS HARBOR DUES). ROYALTY RATE APPLICABLE TO BULK OF GULF'S CRUDE, MOST OF WHICH COMES FROM OFFSHORE FIELDS, IS NOW 18.5 PERCENT.

2. AS REPORTED PARAGRAPH THREE REFTEL, NNPC MANAGING DIRECTOR MARINHO TOLD OIL COMPANIES THREE WEEKS AGO THAT HE WANTED TO FIND WAY TO BRING THEIR MARGIN ON EQUITY OIL UP TO THE EIGHTY CENTS PER BARREL PROMISED IN MAY 1977 (BUT NEVER ACHIEVED) WITHOUT ALTERING POSTED PRICE. ACCORDING TO OIL COMPANY SOURCES, REASON FOR THIS STIPULATION WAS THAT ALGERIA, LIBYA AND NIGERIA HAD REACHED GENTLEMAN'S AGREEMENT AT CARACAS OPEC MEETING THAT THEY WOULD LOWER DIRECT SALE PRICES OF THEIR RESPECTIVE CRUDES IN ORDER TO BRING THEM BACK INTO ALIGNMENT, BUT WOULD NOT CHANGE POSTED PRICES.

3. NNPC ATTEMPTED IN GOOD FAITH TO ABIDE BY THIS AGREEMENT EVEN THOUGH IT GREATLY COMPLICATED NNPC EFFORTS TO REACH ACCOMMODATION WITH OIL COMPANIES REGARDING MARGINS, AN ACCOMMODATION WHICH NNPC NOW CLEARLY UNDERSTANDS AND ACCEPTS IS NECESSARY TO STIMULATE NEW INVESTMENT NEEDED TO ENSURE FUTURE OIL PRODUCTION AND DEVELOPMENT REVENUES. NNPC OFFICIALS WERE SAID TO HAVE EXPRESSED INTENSE DISMAY WHEN LIBYA UNILATERALLY BROKE GENTLEMAN'S AGREEMENT AND LOWERED ITS OWN POSTED PRICES (SEE PIW JANUARY 9). NNPC MARKETING OFFICIALS WERE ENGAGED IN INTENSE CONSULTATIONS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LAGOS 00864 210811Z

AT LIBYAN EMBASSY DURING PAST WEEK. LIBYAN ACTION RENDERED NIGERIAN OIL AS BADLY OVERPRICED AS IT HAD BEEN PRIOR TO CARACAS MEETING, A DEVELOPMENT WHICH NNPC OFFICIALS COULD HARDLY BE EXPECTED TO WELCOME AS THEY CONTEMPLATED WHAT HAS BEEN HAPPENING TO THEIR OIL EXPORTS RECENTLY. IN CONTRAST TO THE AVERAGE OF 2 MILLION BARRELS PER DAY WHICH MARINHO TOLD COMPANIES NNPC HOPED TO ACHIEVE IN 1978, OIL COMPANY SOURCES TELL US THAT EXPORTS FOR DECEMBER APPEAR TO HAVE BEEN BARELY OVER 1.8 MILLION B/D, AND MAY DROP AS LOW AS 1.6 MILLION B/D IN JANUARY. AS FAR AS NIGERIAN OFFICIALS ARE CONCERNED, NEGATIVE IMPACT ON REVENUES COULD NOT HAVE COME AT WORSE TIME. EASUM

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 21 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LAGOS00864
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780032-1068
Format: TEL
From: LAGOS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780137/aaaabfar.tel
Line Count: 106
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b00d25e1-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 LAGOS 14959
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 26 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3735146
Secure: OPEN
Status: NATIVE
Subject: NIGERIA EXPECTED TO LOWER CRUDE OIL POSTED PRICES
TAGS: ENRG, NI
To: STATE
Type: TE
vdkgvwkey: odbs://SAS/SAS.dbo.SAS_Docs/b00d25e1-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014